COLLEGE PENSION PLAN

BRITISH COLUMBIA

2003 ANNUAL REPORT

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College Pension Plan

2003

Annual Report

September 1, 2002 to August 31, 2003

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Message from the Board

The College Pension Board of Trustees is pleased to present this annual report for the fiscal year ending August 31, 2003. The board is responsible for the management of the pension plan, including benefit administration and investment management. The results of the actuarial valuation as at August 31, 2003 will be received and reviewed in the spring of 2004. Plan changes and actual investment performance will be reflected in those results.

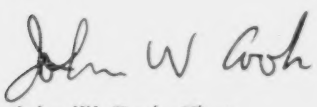
The trustees continue to focus on service improvements. In the past year, the simplification of the purchase of service rules was implemented and the backlog of service requests was eliminated. As well, the online purchase estimator allowed members to easily calculate purchase of service costs themselves. The board is pleased to announce that a new online personalized pension estimator was made available on the website at **pensionsbc.ca**. This new web tool allows you to create an unlimited number of unresearched pension estimates to help with your retirement planning.

In the past year the provincial government made changes to health care that increased the cost of providing group benefits for retired members of the plan. A 50% increase in premiums for MSP resulted in retired members paying at least 50% for their premium, beginning with their February 2003 payment. After assessing the impact of health care costs and increased Pharmacare deductibles, the trustees regretfully found it necessary to make additional changes to retiree group benefits. Changes to Extended Health Benefit deductibles and reimbursements, and out-of-country coverage, will take effect in January 2004.

During the year, the board devoted considerable attention to developing a long-term funding policy for basic pension benefits, inflation protection and post-retirement group benefits. In March 2003 the board put in place a policy that will provide stability over the longer term.

In recognizing that a thorough and well-functioning audit process is critical to good governance, the board strengthened the mandate and terms of reference for the plan's Audit Committee. This committee is responsible for monitoring the integrity of the financial reporting process and the performance of the plan's external auditors. The new mandate strengthens the oversight of your pension plan and provides plan members, employers, partners and trustees with independent expertise.

Our strategic focus continues to be the long-term financial health of the plan and continuing to provide high standards of service delivery to our plan members. We look forward to continuing to work on your behalf to fulfil the pension promise. If you would like to contact us, please use the address on the back of this report.



John W. Cook, Chair

Trustees as at August 31, 2003

Chair

John W. Cook

Trustee	Appointing Body
Barry Bompas	Provincial Government (nominated by Post Secondary Employers' Association)
Dan Bradford	B.C. Government and Service Employees' Union (BCGEU)
John Davison	Provincial Government
Bruce Kennedy	Provincial Government
Tom Kozar	College Institute Educators' Association of B.C. and BCGEU (retired member)
Margaret Marriott	Provincial Government
Paul Martin	B.C. Government and Service Employees' Union (alternate)
Roseanne Moran	College Institute Educators' Association of B.C.
Cliff Neufeld	Provincial Government and Post Secondary Employers' Association (other member)
Dominique Roelants	College Institute Educators' Association of B.C.
John Wilson	College Institute Educators' Association of B.C.

Financial and Operational Highlights

The College Pension Fund holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. The portfolio increased from $1.27 billion as at August 31, 2002 to $1.43 billion at August 31, 2003, partly as a result of a dramatic improvement in annual investment returns. While short-term returns may continue to be more subdued, pension plans have long investment horizons and should focus on the longer term. The five-year annualized rate of return was 6.2%.

In 2003 there were 827 transfers-in from other pension plans and 1,780 purchases of additional service. The transfers-in totalled approximately $40.6 million; purchases totalled approximately $20.3 million. In the past two years there has been a significant increase in both incoming transfers and purchases as a result of plan rule changes and related income tax implications.

Active membership in the College Pension Plan increased by 6.5% in 2003. There are about 9,700 active plan members and 2,400 retired members. The number of retired members grew about 12% in 2003.

Investment Performance

	Performance Benchmarks	Actual August 31	
	2003	2003	2002
Market Value ($ Millions)		$1,429	$1,273
Market Value Rates of Return			
Basic Account			
Annual	7.2%	6.9%	(2.4)%
Five-year Average	6.0%	6.2%	5.3%
Inflation Account			
Annual	7.9%	7.7%	(2.1)%

Net Earned Rate of the Fund

Year	%
1999	12.3
2000	14.8
2001	9.9
2002	5.3
2003	**6.2**

The net earned rate of the fund is the Basic Account five-year average.

Latest Actuarial Valuation—August 31, 2000

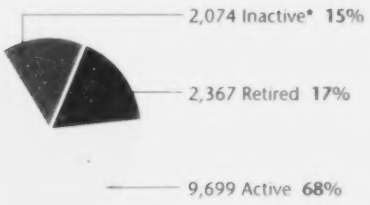
$ Millions

	Basic Pension Benefits Net Surplus (Unfunded)	
	2000	1997
For Funding Purposes*	$120	$57
Ratio of Surplus to Covered Payroll	32%	19%
For Accounting Purposes to August 31	$262	$129

* Assuming contributions continue at existing rates in effect at the valuation date. The next valuation will be as at August 31, 2003 with the results included in the 2004 annual report.

See Note 7 and Note 8 to the Financial Statements for additional explanation.

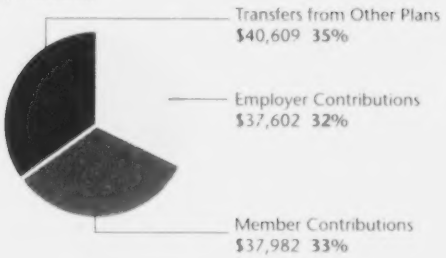
2003 Membership Profile



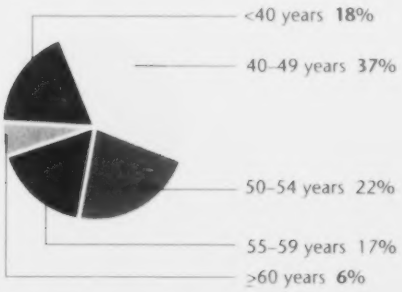
* Members no longer employed, but with plan entitlements

2003 Contribution Revenue

$ Thousands

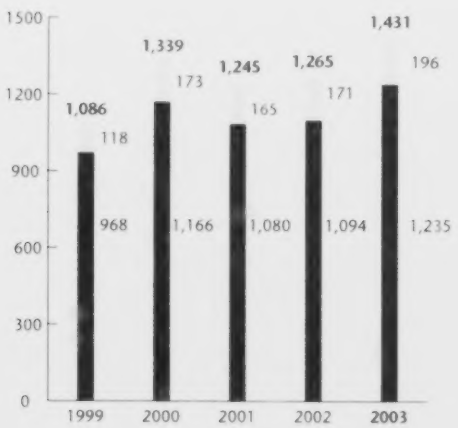


2003 Age Profile of Active Members



Net Assets Available for Benefits as at August 31, 1999–2003

$ Millions



Five-year Summary Statement of Changes in Net Assets Available for Benefits (Unaudited)

$ Thousands

For the year ended August 31	2003	2002	2001	2000	1999
Increase (Decrease) in Assets					
Total Investment Income (Loss)	$ 95,612	$ (29,434)	$ (113,616)	$ 235,458	$ 149,442
Contributions					
Members	37,982	27,569	24,254	21,677	22,254
Employers	37,602	27,456	24,031	17,396	21,571
Transfers from Other Plans	40,609	39,344	7,880	7,037	618
Total Increase (Decrease) in Assets	211,805	64,935	(57,451)	281,568	193,885
Decrease in Assets					
Pension Benefits	34,531	31,684	25,908	21,307	17,331
Termination and Refund Benefits	2,864	5,521	3,809	2,145	3,209
Transfers to Other Plans	1,614	1,611	1,861	375	326
Retired Member Group Benefits	3,094	2,459	1,932	1,605	1,257
Investment and Administration Costs	3,557	3,307	3,465	2,581	2,718
Total Decrease in Assets	45,660	44,582	36,975	28,013	24,841
Increase (Decrease) in Net Assets	166,145	20,353	(94,426)	253,555	169,044
Net Assets Available for Benefits at Beginning of Year	1,265,161	1,244,808	1,339,234	1,085,679	916,635
Net Assets Available for Benefits at End of Year	$1,431,306	$1,265,161	$1,244,808	$1,339,234	$1,085,679
	As a Percentage of Net Assets				
Benefit Administration Costs	0.12%	0.12%	0.10%	0.06%	0.10%
Investment Management Cost	0.13%	0.14%	0.18%	0.13%	0.15%

Plan Governance

The College Pension Plan **partners** consist of the B.C. Government and Service Employees' Union (BCGEU), the College Institute Educators' Association of B.C. (CIEA), the Post Secondary Employers' Association (PSEA), and the provincial government. The partners are responsible for appointing the trustees, directing amendments to the plan if certain conditions are met, and resolving trustee disputes.

The College Pension **Board of Trustees** is fully responsible for the management of the pension fund, including the investment of the assets and the administration of the pension plan. The board consists of up to eleven members. Ten members are appointed by the partners, and the chair is appointed by the other trustees. The Board of Trustees may amend the pension plan rules as long as changes can be funded by pension fund surpluses. Plan rule changes that result in contribution rate changes must be approved by the partners.

The **British Columbia Pension Corporation** provides benefit administration services as an agent of the board of trustees.

The **British Columbia Investment Management Corporation** provides investment management services as an agent of the board of trustees.

Funding Policy

During the year, the board devoted considerable attention to developing a long-term funding policy for basic pension benefits, inflation protection, and post-retirement group benefits. At its March 2003 meeting, the board approved a funding policy that reflects the intentions of the board, but is subject to restrictions that have been or may be imposed by the partners or applicable legislation.

For basic pension benefits, the policy will ensure that any unfunded liabilities are amortized over 15 years and that surpluses are first assessed to ensure that stable contribution rates for members and employers can be maintained for between 15 and 25 years. Then, if benefit improvements can be considered, the trustees will also consider the impact on future inflation protection.

For inflation protection, the overall intent is to stabilize the indexing expectations over a period of about 20 years. The board regularly examines the future outlook for indexing to identify the point at which full indexing benefits may not be able to be granted.

The policy establishes a maximum amount, 1% of active member payroll, that is available each year for post-retirement group benefits.

Communications

Communicating with plan members is a priority of the College Pension Board of Trustees. It is a partnership between the board and the plan employers who distribute information to plan members. We continue to work on new communications materials and the website to ensure all plan information is easily understood, accurate and up-to-date. Plan member newsletters, bulletins and *Pensionfacts*—a series of fact sheets—are regularly published. Information about the plan is distributed to the plan member partners and is also available online at **pensionsbc.ca**.

Investments

Market Review

One of the major roles of the board of trustees as fiduciary for the plan, is the responsibility for overseeing the investment of approximately $1.43 billion in assets for the benefit of the plan and its members. The most important issue for any pension plan is long-term results, and the board's goal is to achieve consistent and steady performance over the longer term by following sound money management principles and strategic asset allocation.

The board of trustees approves the long-term asset mix policy for the investment assets and oversees the management of those assets through the board's investment management agent, the British Columbia Investment Management Corporation (bcIMC). Diversification of investments is a key principle in the approved asset policy. Investments are held in a range of asset types (bonds, equities, real estate, etc.), industry sectors, and global markets.

The past year provided mixed results for the plan. Canadian equities were very strong as investors became less risk averse and money flowed back to stock markets. As a result, for the year ending August 31, 2003, the TSX composite index provided investors a 15.9% return. While other markets experienced a similar rebound in investor confidence, the impact was largely offset by the rising Canadian dollar. The decline in long-term interest rates has lowered the return prospects for all asset classes. The days of double-digit returns are likely behind us for the foreseeable future. More significantly, it appears likely that fixed income instruments (e.g., bonds and mortgages) in themselves will not be able to generate sufficient returns to satisfy the plan's pension obligations. Ultimately, the long-term goal is to find investments that will generate strong cash flows to help satisfy the plan's future pension obligations.

The plan's Basic Account recorded a 6.9% annual return on its investment portfolio for the year. While this was slightly below the market benchmark of 7.2%, it represents a dramatic turnaround from the previous two years when overall returns were negative. On a five-year basis, the return for the plan's Basic Account was 6.2%.

Basic Investment Asset Mix and Performance

Strategic and short-term asset allocation targets are set within the ranges in the table below. Short-term for asset mix purposes includes government bonds with one- to five-year terms and money market funds.

Basic Investment Asset Mix and Performance

		August 31, 2003		
Asset Class	Approved Range (%)	Actual % of Assets	Rate of Return (%)	Performance Benchmark (%)
Debt	**25–45**	**33.5**		
Short-term	0–10	3.7	4.0	3.8
Mortgages	0–10	3.8	8.0	6.4
Bonds	20–40	26.0	7.3	7.1
Equity	**55–75**	**66.5**		
Canadian Equities	15–30	23.8	15.5	15.9
U.S. Equities	5–20	13.7	2.3	1.1
International Equities	10–25	15.7	(2.3)	(2.6)
Real Estate	5–15	10.4	6.7	6.1
Private Placements	0–6	2.9	(5.3)	19.0

See Note 3 and Note 4 to the financial statements for additional explanation.

Investment Portfolio

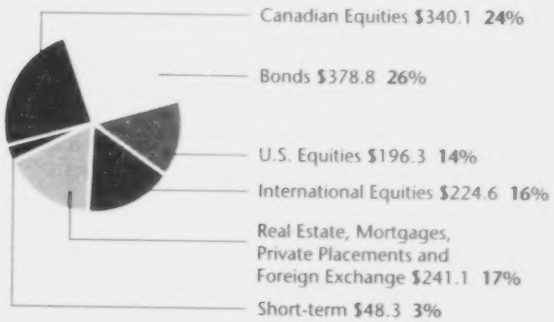
Investments Held as at August 31, 2003

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Pooled Investment Portfolios		
Money Market	$ 28,153	2
Canadian Bonds		
Government	234,927	16
Corporate	58,617	4
Long-term	55,980	4
Short-term (to 5 years)	20,100	1
Canadian Equities		
Indexed	246,868	17
Actively Managed	93,222	7
U.S. Equities		
Indexed	157,498	11
Actively Managed	38,834	3
International Equities		
Asia	41,504	3
Europe	69,529	5
Europe, Australia and the Far East	113,613	8
Real Estate	148,600	10
Mortgages	54,707	4
Private Placements	37,153	3
Foreign Exchange	623	0
Total Pooled Portfolios	**$1,399,928**	**98**
Canadian Real Return Bonds	$ 29,239	2
Total Investments	**$1,429,167**	**100**
2002 Comparison	$1,272,463	

For further information on the investment portfolio, visit the bcIMC website at **www.bcimc.com**.

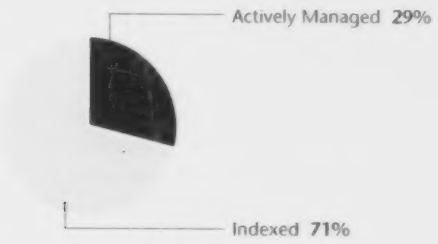
2003 Investment Holdings (Market Value)

$ Millions

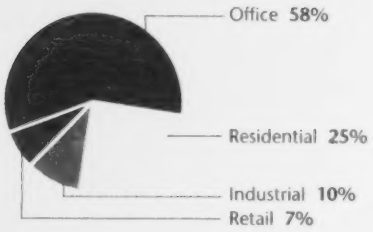

Canadian Equities $340.1 24%
Bonds $378.8 26%
U.S. Equities $196.3 14%
International Equities $224.6 16%
Real Estate, Mortgages, Private Placements and Foreign Exchange $241.1 17%
Short-term $48.3 3%

Investments Held as at August 31, 2003

Canadian Equities (Market Value)

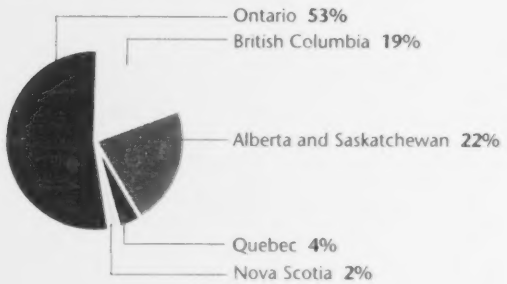


Real Estate, by Type



U.S. Equities (Market Value)

Real Estate, by Location

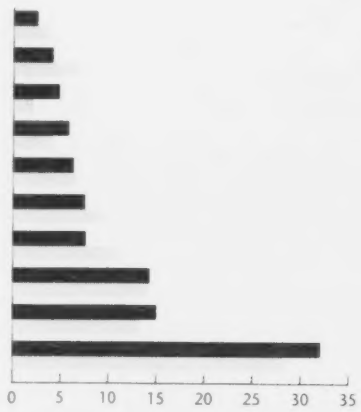


Bonds (Market Value)

Investments Held as at August 31, 2003

Canadian Equities, by Sector

	Indexed (%)	Actively Managed (%)
Health Care	2.5	3.9
Consumer Staples	4.1	7.0
Utilities	4.8	2.1
Telecommunications	5.8	4.1
Information Technology	6.3	6.7
Industrial Products	7.5	9.7
Consumer Discretionary	7.6	10.8
Energy	14.3	14.2
Materials	15.0	13.3
Financial Services	32.1	28.2
	100%	100%



U.S. Equities, by Sector

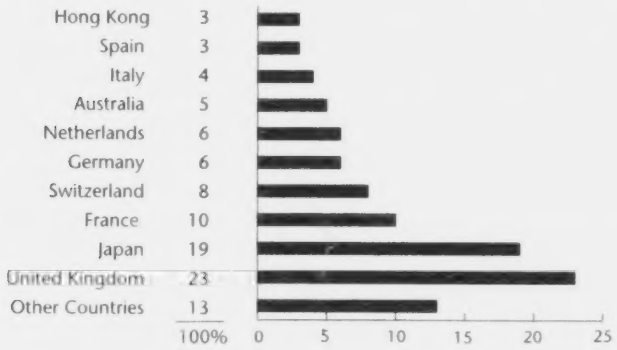
	Indexed (%)	Actively Managed (%)
Materials	3.0	3.5
Utilities	3.5	2.6
Telecommunications	4.4	3.7
Energy	7.3	5.4
Consumer Staples	8.4	6.9
Health Care	10.5	13.1
Industrial Products	10.7	11.5
Consumer Discretionary	12.5	16.6
Information Technology	14.5	16.9
Financial Services	25.2	19.8
	100%	100%

Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Toronto Stock Exchange Composite).

Actively Managed: A portfolio of securities that is designed to outperform a public market index.

Investments Held as at August 31, 2003

International Equities (%)



Investment Performance

Net Earned Rate of the Fund

Year	%
1999	12.3
2000	14.8
2001	9.9
2002	5.3
2003	**6.2**

The net earned rate of the fund is the Basic Account five-year average.

Investments Held as at August 31, 2003

Canadian Equities
Top 10 Holdings

Company	Market Value ($ Thousands)	% of Total
Royal Bank of Canada	$ 16,491	4.8
Bank of Nova Scotia	15,293	4.5
Toronto Dominion Bank	12,416	3.7
Encana Corporation	11,720	3.4
BCE Inc.	11,487	3.4
Bank of Montreal	9,775	2.9
Cdn Imp Bank Commerce	9,626	2.8
Manulife Financial	9,508	2.8
Alcan Inc	8,275	2.4
Nortel Networks	7,330	2.2
Total Top Ten	**$ 111,921**	**32.9%**
Total Canadian Equities	**$ 340,090**	

U.S. Equities
Top 10 Holdings

Company	Market Value ($ Thousands)	% of Total
Citigroup Inc.	$ 4,500	2.2
Exxon Mobil Corp	4,409	2.2
Microsoft Corp	3,103	1.6
Amern Intl Group	3,032	1.5
Pfizer Inc.	2,910	1.5
General Electric	2,896	1.5
Wal-Mart Stores	2,353	1.2
Bank of America	2,348	1.2
Intel Corp	1,908	1.0
Verizon Communication	1,799	1.0
Total Top Ten	**$ 29,258**	**14.9%**
Total U.S. Equities	**$ 196,332**	

International Equities
Top 10 Holdings

Company	Market Value ($ Thousands)	% of Total
Vodafone Group	$ 4,930	2.2
Total Fina Elf	4,368	2.0
Glaxosmithkline	4,130	1.8
BP	3,803	1.7
Novartis AG	3,431	1.5
HSBC Hldgs	3,315	1.5
Nestle SA	3,192	1.4
Nokia OYJ	2,928	1.3
Royal Bank Scot GR	2,663	1.2
ENI	2,467	1.1
Total Top Ten	**$ 35,227**	**15.7%**
Total International Equities	**$ 224,646**	

Market Value Rates of Return for the Year Ended August 31, 2003

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks (%)	
Five-year Average Rates				
2003	**6.2**	**6.3**	**6.0**	
2002 Comparison	5.3	5.3	5.2	
Annual Rates				
2003	**6.9**	**7.7**	**7.2**	
2002 Comparison	(2.4)	(2.1)	(2.6)	
2003 Annual Rates by Investment Category				**2003 Performance Benchmark Indices**
Short-term				
Money Market	3.1	3.2	3.0	SCI 91-Day Treasury Bills
Bonds	5.3	5.3	5.3	SCI Short-term Government
Bonds				
Government	6.9	6.9	6.6	SCI Government Universe
Corporate	8.5	8.5	9.0	SCI Corporate Universe
Real Return	–	10.6	10.6	SCI Real Bond
Canadian Equities				
Actively Managed	14.2	14.2	15.9	TSX
Indexed	16.1	16.1	15.9	TSX
U.S. Equities				
Actively Managed	1.9	1.9	1.4	US Large Capital Active
Indexed	(0.4)	(0.4)	(0.4)	S&P 500
International Equities				
Asia	4.5	4.5	(2.1)	MSCI Pacific Basin Net
Europe	(4.3)	(4.3)	(3.3)	MSCI Europe Net
Europe, Australia and the Far East	(3.1)	(3.1)	(2.9)	MSCI Europe, Australia, Far East Net
Real Estate	7.1	7.1	6.0	CPI + 4%
Mortgages				
Fixed-term	8.3	8.3	6.9	SCI Short-term Bonds + 1%
Construction	6.4	6.4	4.7	SCI 1 Year Bills + 1%
Private Placements	(5.3)	(5.3)	19.0	NB Small Capital (weighted) + 4.5%

Performance Benchmark Indices Abbreviations

CPI	=	Consumer Price Index
SCI	=	Scotia Capital Inc.
MSCI	=	Morgan Stanley Capital International
S&P	=	Standard & Poor's
R	=	Russell
TSX	=	Toronto Stock Exchange Composite
NB	=	Nesbitt Burns

(Source of annual rates: British Columbia Investment Management Corporation)

Actuarial Valuation/Plan Funding

At least every three years, an independent actuary assesses the plan's financial health and the adequacy of the contribution rates for funding the plan. At the most recent actuarial valuation on August 31, 2000, the College Pension Fund had a surplus for basic pension benefits of $120 million. The next valuation will be as at August 31, 2003.

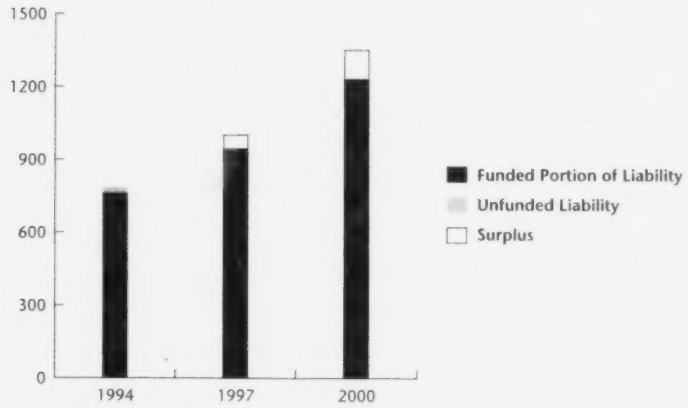
An unfunded liability indicates that there is a shortfall between the benefits that are promised and the assets that are available to pay for these benefits; whereas a surplus indicates all basic benefits are funded.

Latest Actuarial Valuation—August 31, 2000
$ Millions

	Basic Pension Benefits Net Surplus (Unfunded)		
	2000	1997	1994
For Funding Purposes*	$120	$57	($28)
Ratio of Surplus (Unfunded) Liability to Covered Payroll	32%	19%	(11%)
For Accounting Purposes (Benefits Accrued to Valuation Date)	$262	$129	$32

* Assuming contributions continue at existing rates in effect at the valuation date.

Funding of the Total Basic Benefit Liability
$ Millions



Plan Benefits

Plan benefits are defined by the pension plan rules made under the authority of Schedule A of the *Public Sector Pension Plans Act* and the College Pension Plan Regulation. The following is a general description of plan benefit rules.

Your basic pension benefit is defined, meaning your pension is based on how many pensionable years you were an active member, the average of your five highest years of salary (not necessarily your last five years), and your age at retirement. Your pension is not based on how much you contributed to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that your pension is predictable and is not based entirely on economic conditions during your working lifetime nor at the time of your retirement. The plan provides entitlement to a pension benefit for all plan members. The plan also provides survivor and disability benefits. Benefits such as inflation protection to the basic pension and group health benefits are not guaranteed. The board monitors the ability to continue to provide these benefits on an ongoing basis.

The number of retired members increased 12% in 2003. The number of pensions granted in 2003 increased 27% over the number granted in 2002.

Pension Benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65
- at age 60, with at least two years of contributory service; or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). Effective January 1, 2002 for members who terminate employment on or after January 1, 2002, the plan provides an unreduced benefit of 1.7% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE), and 2% of pensionable earnings over the YMPE (to a maximum of 35 years).

Pensionable earnings are based on the member's highest five-year average salary (HAS). The plan also provides a bridge benefit payable to age 65 (or the date of death if earlier). Effective January 1, 2002 for members who terminate employment on or after January 1, 2002, the bridge benefit is 0.3% of the lesser of YMPE or HAS.

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6 and 7b to the Financial Statements).

At January 1, 2003 retired members received a full CPI increase of 2.3% (2002—2.6%).

Pensions are paid at the end of each month, beginning with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible;
- the month following the month in which the plan member receives the final salary; or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which the retired member dies.

Basic pensions have a significant value. The value of a basic pension depends on a number of factors, including the member's age, salary, and years of service at retirement.

The table below shows the average asset value ("present value") of pensions granted during 2003. The value represents approximately how much it would cost to purchase an average basic pension provided under the College Pension Plan.

Average Values of Regular Pensions Granted September 1, 2002 to August 31, 2003
Subdivided by years of service

Years of Service*	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 yrs	29	58,000	6,000	80,000	2.3
10–14	46	64,000	15,000	195,000	9.0
15–19	41	65,000	20,000	265,000	10.9
20–24	37	66,000	26,000	448,000	16.7
25–29	37	68,000	33,000	453,000	16.8
30–34	23	68,000	35,000	503,000	11.6
35–39	2	84,000	54,000	733,000	1.5
Total	**215**	**n/a**	**n/a**	**n/a**	**$68.8**
All Pension Average	n/a	65,000	22,000	319,000	n/a

* Years of service includes service transferred from other plans.

Pensions 1994–2003

	Granted During Year	Pension Terminations	In Force at End of Year	$ Millions Basic Pensions Paid	$ Millions Inflation Adjustments Paid	$ Millions Total
1994	74	15	880	7.0	1.4	8.4
1995	97	1	976	8.1	1.4	9.5
1996	131	14	1,093	9.4	1.5	10.9
1997	163	10	1,246	11.1	1.7	12.8
1998	165	23	1,388	13.1	1.8	14.9
1999	169	6	1,551	15.4	1.9	17.3
2000	253	16	1,788	19.1	2.2	21.3
2001	144	8	1,924	23.2	2.7	25.9
2002	213	18	2,119	25.8	3.3	29.1
2003	**271**	**23**	**2,367**	**30.7**	**3.8**	**34.5**

Pensions Granted, by Type 1994–2003

	Regular*	Death*	LTD to Pension+	Deferred	Total
1994	53	–	2	19	74
1995	73	5	2	17	97
1996	92	7	4	28	131
1997	131	1	10	21	163
1998	122	4	7	32	165
1999	136	3	3	27	169
2000	202	6	15	30	253
2001	111	5	3	25	144
2002	175	7	7	24	213
2003	**215**	**4**	**9**	**43**	**271**

* Pensions granted do not include any pension continued to a beneficiary upon the death of a retired member.

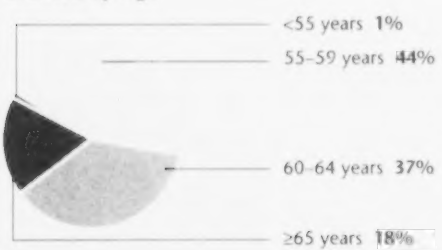
\+ Primarily represents members on long-term disability who became eligible for a regular pension.

2003 Regular Pensions Granted by Age at Retirement

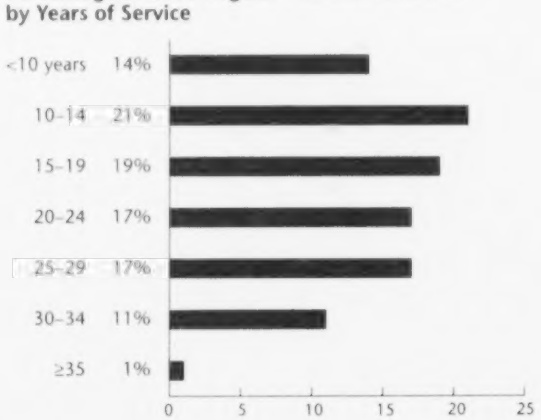
Subdivided by years of service and age at retirement

Years of Service	<55	55–59	60–64	65	Total
<10 yrs	–	12	12	5	29
10–14	–	18	16	12	46
15–19	1	20	12	8	41
20–24	–	19	13	5	37
25–29	1	19	10	7	37
30–34	–	6	16	1	23
≥35	–	1	–	1	2
Total	**2**	**95**	**79**	**39**	**215**

Percentage of 2003 Regular Pensions Granted by Age



Percentage of 2003 Regular Pensions Granted by Years of Service



Termination and Refund Benefits

A terminating member who is eligible for a pension but has not yet reached the earliest retirement age, may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

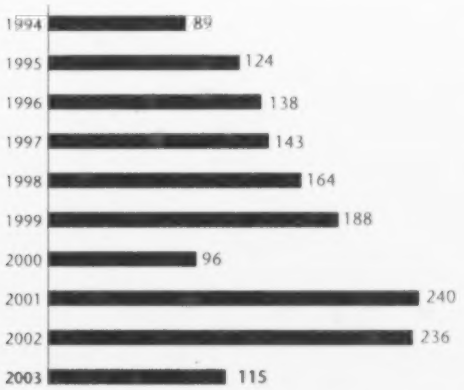
The number and value of termination benefits paid can vary from year to year, depending on the employment environment, the type of termination benefit paid and the plan member's entitlement. The number of termination benefits paid decreased significantly compared to 2002.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements, or if under 60 with less than two years of service, may also choose a refund of contributions with interest.

If a member leaves the plan and takes a refund of contributions, the refund includes interest. Interest compounds annually and is credited to the member's contribution balance. The balance plus interest is included in the annual *Member's Benefit Statement*.

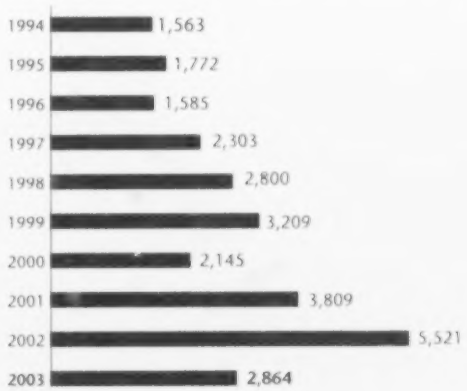
The rate of interest is governed by pension standards and pension plan legislation and is based on average bank five-year personal term deposit rates (2003—3.38%; 2002—3.69%).

Number of Termination Benefits Paid



Value of Termination Benefits Paid

$ Thousands



Termination benefits paid include only refunds of contributions and commuted value payments; deferred pensions are included in pension statistics.

Portability Provisions

Portability allows pension plan members to carry pension rights from one plan to another. For instance, members of the College Pension Plan may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has a portability agreement with the College Pension Plan. Employers who allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers."

Members of the College Pension Plan who have made contributions to another pension plan should inquire about portability agreements.

In 2003, there were 827 reciprocal transfers-in from other pension plans and 55 transfers-out. The transfers-in totalled approximately $40.6 million; transfers-out totalled approximately $1.6 million. As a result of changes in interplan portability provisions, transfers now include those between the College Pension Plan and three other British Columbia public sector plans (Public Service, Municipal and Teachers'). In the past two years there has been a significant increase in incoming reciprocal transfers as a result of plan rule changes and related tax implications.

Purchase of Additional Service

It may be possible for plan members to purchase additional service. This service may include:

- leaves of absence (maternity, paternal or other leave)
- arrears contributions (not enrolled but eligible to buy back missed contributions)
- other service (employment service before becoming a regular contributor); or
- reinstatements (contributions previously refunded from the plan).

In the past two years the number and value of purchases increased significantly as a result of plan rule changes and related income tax implications.

Member and Employer Purchases of Additional Service

	Number of Purchases		Value of Purchases ($ Thousands)	
	2003	2002	2003	2002
Leaves of Absence	689	85	2,434	371
Arrears Contributions	82	19	348	98
Other Service	989	132	17,081	2,663
Reinstatements	20	4	399	96
Total	**1,780**	**240**	**20,262**	**3,228**

Plan Participants

Members of the College Pension Plan are senior administrative employees and faculty members of designated British Columbia post-secondary institutions. For employees hired on or after September 1, 1999, all full-time and some part-time senior administrative and faculty staff are required to participate; certain part-time staff may do so voluntarily.

Membership in the College Pension Plan grew 7.4% in 2003. Today, there are approximately 12,000 plan members and about 2,400 retired members.

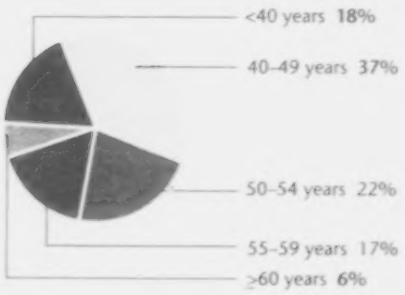
There are three types of plan members in the College Pension Plan:

- **Active:** those who are currently contributing, or are receiving benefits from an approved salary continuance plan or are on a leave of absence.
- **Inactive:** those who have terminated their employment and are eligible for a pension in the future.
- **Retired:** those who are receiving a pension.

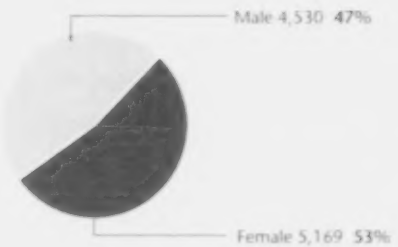
Number of Members

	Active	Inactive	Retired	Total
1999	7,342	1,480	1,551	10,373
2000	7,962	1,561	1,788	11,311
2001	8,670	1,677	1,924	12,271
2002	9,105	1,937	2,119	13,161
2003	**9,699**	**2,074**	**2,367**	**14,140**

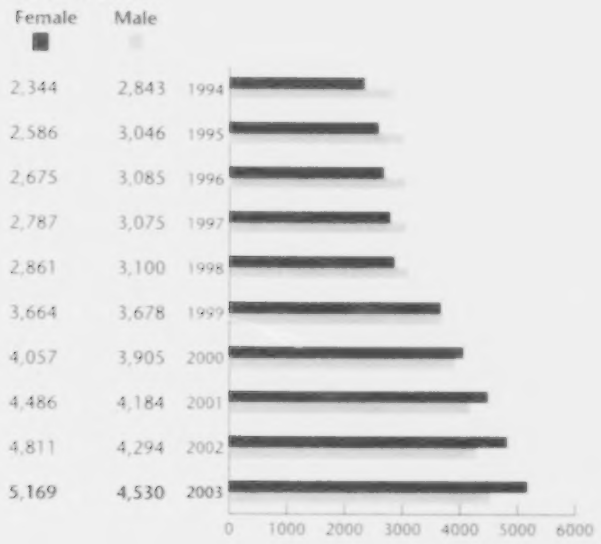
2003 Age Profile of Active Members



2003 Active Member Profile



Active Members



Contributions

$ Millions

College Pension Plan Employers

Employer Name	Effective Date
British Columbia Institute of Technology (Burnaby)	January 12, 1978
Camosun College (Victoria)	June 1, 1971
Capilano College (North Vancouver)	September 1, 1968
Centre for Curriculum, Transfer & Technology (Victoria)	January 1, 2002
College of New Caledonia (Prince George)	September 1, 1968
College of the Rockies (Cranbrook)	May 8, 1975
Douglas College (New Westminster)	April 1, 1970
Emily Carr Institute of Art and Design (Vancouver)	January 19, 1978
Institute of Indigenous Government (Vancouver)	May 26, 1995
Justice Institute of B.C. (Vancouver)	April 27, 1978
Kwantlen University College (Surrey)	July 1, 1981
Langara College (Vancouver)	April 1, 1994
Lester B. Pearson College of the Pacific (Victoria)	January 31, 1974
Malaspina University–College (Nanaimo)	January 1, 1969
Nicola Valley Institute of Technology (Merritt)	September 1, 1995
North Island College (Comox)	August 1, 1975
Northern Lights College (Dawson Creek)	September 1, 1975
Northwest Community College (Terrace)	September 1, 1975
Okanagan University College (Kelowna)	September 1, 1968
Open Learning Agency (Vancouver)	June 1, 1976
Royal Roads University (Victoria)	January 1, 1998
Selkirk College (Castlegar)	September 1, 1968
The University College of the Cariboo (Kamloops)	January 1, 1970
University College of the Fraser Valley (Abbotsford)	November 1, 1974
Vancouver Community College (Vancouver)	September 1, 1968

PENSION CORPORATION

Executive Offices

Mailing Address:
PO Box 9460
Stn Prov Govt
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250-387-8201
1-800-663-8823
Fax:
250-387-4199

COLLEGE PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the College Pension Plan were prepared by the British Columbia Pension Corporation, the administrative agent for the board of trustees for the pension plan. The board of trustees is responsible for having annual financial statements prepared in accordance with generally accepted accounting principles. The corporation prepares the financial statements on the board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the College Pension Plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the plan by the board of trustees. The role of the actuary is to complete an actuarial valuation of the plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of KPMG LLP has been appointed the independent auditor to the plan by the board of trustees. The role of the auditor is to perform an independent audit of the financial statements of the pension plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the auditors' report attached to these financial statements.

P. LOUISE YOUNG, C.A.,
Chief Financial Officer,
British Columbia Pension Corporation

SANDRA LENZ, C.A.,
Director, Finance,
British Columbia Pension Corporation

November 20, 2003

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT

To the Members of the College Pension Plan

We have audited the statement of net assets available for benefits of the College Pension Plan as at August 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the Plan's net assets available for benefits as at August 31, 2003 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

November 20, 2003

KPMG LLP, a Canadian limited liability partnership is the Canadian member of KPMG International, a Swiss nonoperating association

COLLEGE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

August 31	2003	2002
ASSETS		
Investments (Note 3)	$ 1,429,167	$ 1,272,463
Receivables		
Members' contributions	1,530	1,461
Employers' contributions	1,547	1,552
Accrued investment income	265	258
Due from sale of investments	2,100	809
	5,442	4,080
Prepaid expense	176	162
Cash	83	399
Total Assets	1,434,868	1,277,104
LIABILITIES		
Payable for purchase of investments	2,600	10,000
Accounts payable and accrued expenses	962	1,943
Total Liabilities	3,562	11,943
NET ASSETS AVAILABLE FOR BENEFITS	$ 1,431,306	$ 1,265,161

Obligation for Pension Benefits for Funding Purposes (Note 7)
Obligation for Pension Benefits for Accounting Purposes (Note 8)
Commitments (Note 11)

All accompanying notes are an integral part of these financial statements.

John W. Cook, F.C.I.A.,
Chair, College Pension Board of Trustees

John Davison,
Trustee,
College Pension Board of Trustees

John Wilson,
Trustee,
College Pension Board of Trustees

COLLEGE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended August 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2003	Totals 2002
INCREASE IN ASSETS					
Investment income (loss) (Note 4)	$ 81,520	$ 14,092	$ -	$ 95,612	$ (29,434)
Contributions (Note 5)					
Members'	31,619	6,363	-	37,982	27,569
Employers'	30,591	3,865	3,146	37,602	27,456
	62,210	10,228	3,146	75,584	55,025
Transfers from other plans	30,898	9,711	-	40,609	39,344
Total Increase in Assets	174,628	34,031	3,146	211,805	64,935
DECREASE IN ASSETS					
Pension benefits					
Contributory	30,637	-	44	30,681	25,806
Indexing supplements	3,850	-	-	3,850	3,262
	34,487	-	44	34,531	29,068
Retired member lump sum payment (Note 7a)	-	-	-	-	2,616
Termination and refund benefits	2,044	820	-	2,864	5,521
Transfers to other plans	1,172	442	-	1,614	1,611
Retired member group benefits (Note 10)	-	-	3,094	3,094	2,459
Investment and Administration costs (Note 9)	3,296	253	8	3,557	3,307
Total Decrease in Assets	40,999	1,515	3,146	45,660	44,582
INCREASE IN NET ASSETS BEFORE TRANSFERS	133,629	32,516	-	166,145	20,353
Account transfers (Note 6)	7,106	(7,106)	-	-	-
INCREASE IN NET ASSETS	140,735	25,410	-	166,145	20,353
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	1,093,989	171,172	-	1,265,161	1,244,808
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 1,234,724	$ 196,582	$ -	$1,431,306	$ 1,265,161

Supplemental Benefits Account (Note 10)

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2003

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The College Pension Plan (the "plan") is a jointly trusteed pension plan governed by Schedule A of the *Public Sector Pension Plans Act* and the College Pension Plan Regulation (the "pension plan rules"). Joint trusteeship was established effective April 1, 2000 with the agreement of the partners: the Provincial Government, the Post Secondary Employers' Association, the College Institute Educators' Association of B.C. and the B.C. Government and Service Employees' Union. Schedule A of the Act describes the composition, appointment, powers, functions and duties of the College Pension Board of Trustees (the "board") and provides authority for the board to make pension plan rules. The following brief description of the plan is provided for general information only. For more information refer to the Act and the Regulation.

a) General

The plan is for senior administrative employees and faculty members of British Columbia colleges. For employees hired on or after September 1, 1999, all full time and some part time senior administrative employees and faculty are required to participate; certain part time staff may do so voluntarily.

b) Roles and Responsibilities

The Board of Trustees
The partners are responsible for directing amendments to the plan, if certain conditions are met, and resolving trustee disputes. The board consists of up to eleven members. The partners appoint ten members representing plan members and plan employers. The eleventh member, the chair, is appointed by the other trustees. The board is fully responsible for the management of the pension plan, including investment of the assets and administration of the pension plan. The board may amend the pension plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the pension plan. Unless required to ensure compliance with regulatory enactments applicable to the pension plan, plan changes that result in contribution rate changes can only be initiated by the partners.

British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation provides benefit administration services as an agent of the board of trustees.

British Columbia Investment Management Corporation (bcIMC)
The bcIMC provides investment management services as an agent of the board of trustees.

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (CONTINUED)

c) Contributions

Basic Account

Members contribute to the Basic Account 4.5% of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($39,900 in 2003) and 6.0% of salaries above that.

Employers contribute at rates matching the employees, less amounts allocated to the Supplemental Benefits Account (2003 - $0.6 million; 2002 - $0.5 million) (see Note 10).

Inflation Adjustment Account and Supplemental Benefits Account

Members contribute 1% of salaries to the Inflation Adjustment Account (IAA). Employers contribute 1% of salaries to the IAA, less amounts allocated to the Supplemental Benefits Account (2003 - $2.5 million; 2002 - $2.0 million) (see Note 10).

d) Pension Benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). Effective January 1, 2002 for members who terminate employment on or after January 1, 2002, the plan provides an unreduced benefit of 1.7% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE), and 2% of pensionable earnings over the YMPE (to a maximum of 35 years).

Pensionable earnings are based on the member's highest five-year average salary (HAS). The plan also provides a bridge benefit payable to age 65 (or the date of death if earlier). Effective January 1, 2002 for members who terminate employment on or after January 1, 2002, the bridge benefit is 0.3% of the lesser of YMPE or HAS.

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (CONTINUED)

d) Pension Benefits (continued)

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6 and Note 7b).

At January 1, 2003 retired members received a full CPI increase of 2.3% (2002 – 2.6%).

e) Termination and Portability Benefits

A terminating member who is eligible for a pension but has not yet reached the earliest retirement age, may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements, or if under 60 with less than two years of contributory service, may also choose a refund of contributions with interest.

Where there are portability arrangements between the plan and other plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account of the pension fund. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada), except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the pension plan as a separate financial reporting entity, independent of the plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the plan, and does not purport to show their adequacy to meet the obligations of the plan.

Certain comparative figures have been reclassified to conform with the current year's presentation.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the underlying value of the assets. Where ascertainable, fair values of those assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not ascertainable, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate.

Derivative contracts (see Note 3) include forward foreign exchange contracts. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amounts receivable or payable from the forward foreign exchange contracts are based on prevailing foreign currency exchange rates.

Investment purchases and sales are recorded on trade date (the date upon which the substantial risks and rewards have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the plan as a unit holder. The current period change in market value includes realized and unrealized gains and losses.

Within the pools, dividends are accrued on the ex-dividend date. Income and expenses from derivative contracts are accrued as earned and included in net investment gain or loss. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair values.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments and the actuarial estimate of the actuarial position of the Basic Account.

3. INVESTMENTS (MARKET VALUE)

	2003			2002
	Basic Account	Inflation Adjustment Account	Total	Total
			($ Thousands)	
Short-term	$26,218	$ 1,936	$ 28,154	$ 32,983
Canadian Bonds	339,400	59,463	398,863	395,358
Canadian Equities	352,929	55,422	408,351	348,558
U.S. Equities	109,503	18,780	128,283	81,107
International Equities	193,372	31,273	224,645	193,972
Foreign Currency	353	58	411	-
Mortgages	47,019	7,688	54,707	49,093
Real Estate	128,220	20,379	148,599	130,654
Private Placements	35,263	1,891	37,154	40,738
	$1,232,277	$196,890	$1,429,167	$1,272,463

Plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the bcIMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of currency exposure.

3. INVESTMENTS (MARKET VALUE) (CONTINUED)

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. The real estate is valued quarterly by bcIMC real estate investment managers and, at least, annually by external appraisals to establish current market values. Private placements are valued annually based on audited financial statements from private placement external managers.

Directly held forward foreign exchange contracts (included in U.S. Equities) are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Forward foreign exchange contracts:	Notional Value	Fair Value	Expiry Date
	($ Thousands)		
Receivables	$ 6,126	$ 6,126	September 17, 2003
Payables	$ 6,126	$ 6,316	September 17, 2003
Net fair value		$ (190)	

The plan also uses derivative contracts held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or currency rates. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

4. INVESTMENT INCOME

	2003			2002
	Income Allocation	Current Period Change in Market Value	Total	Total
			($ Thousands)	
Basic Account				
Short-term	$ 962	$ (9)	$ 953	$(25,669)
Canadian Bonds	18,645	5,709	24,354	27,125
Canadian Equities	7,565	33,523	41,088	(3,099)
U.S. Equities	6,569	196	6,765	(11,979)
International Equities	4,425	(5,946)	(1,521)	(20,646)
Foreign Currency	183	(7)	176	-
Mortgages	2,917	615	3,532	3,052
Real Estate	5,799	2,538	8,337	8,677
Private Placements	428	(2,592)	(2,164)	(3,160)
Investment Income (Loss)	$47,493	$34,027	$81,520	$(25,699)
Inflation Adjustment Account				
Short-term	$ 41	$ -	$ 41	$ (5,111)
Canadian Bonds	3,400	1,793	5,193	4,691
Canadian Equities	1,136	4,951	6,087	1,288
U.S. Equities	980	(20)	960	(2,494)
International Equities	742	(905)	(163)	(3,614)
Foreign Currency	30	(1)	29	-
Mortgages	457	92	549	462
Real Estate	943	423	1,366	1,125
Private Placement	23	7	30	(82)
Investment Income (Loss)	$ 7,752	$ 6,340	$14,092	$ (3,735)
Total Investment Income (Loss)	$55,245	$40,367	$95,612	$(29,434)

The income allocation portion of investment income represents pooled investment portfolio income attributable to the plan, as a unitholder, and as calculated by the bcIMC, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

5. CONTRIBUTIONS

	2003				2002
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
				($ Thousands)	
Members' contributions					
Regular	$ 23,060	$ 4,601	$ -	$27,661	$25,917
Arrears	130	28	-	158	18
Purchase of service	7,070	1,475	-	8,545	1,351
Leave of absence	1,003	216	-	1,219	187
Reinstatement	356	43	-	399	96
	$ 31,619	$ 6,363	$ -	$37,982	$27,569
Employers' contributions					
Regular	$ 22,372	$ 2,143	$ -	$24,515	$23,400
Arrears	151	39	-	190	80
Purchase of service	7,073	1,463	-	8,536	1,312
Leave of absence	995	220	-	1,215	184
	30,591	3,865	-	34,456	24,976
Supplemental benefits	-	-	3,146	3,146	2,480
Total Employers	$ 30,591	$ 3,865	$3,146	$37,602	$27,456
Total Contributions	$ 62,210	$10,228	$3,146	$75,584	$55,025

Member and employer contributions are as defined under the pension plan rules.

Employer regular Basic Account contributions were $23.0 million, of which $0.6 million was allocated to the Supplemental Benefits Account. Employer regular Inflation Adjustment Account contributions were $4.6 million, of which $2.5 million was allocated to the Supplemental Benefits Account.

6. ACCOUNT TRANSFERS

	2003		2002	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
		($ Thousands)		
Present value of current indexing supplements	$6,669	$(6,669)	$ 6,457	$(6,457)
Indexing of deferred pensions	437	(437)	451	(451)
Excess Interest	-	-	-	-
Transfer of Surplus	-	-	(2,400)	2,400
	$7,106	$(7,106)	$ 4,508	$(4,508)

6. ACCOUNT TRANSFERS (CONTINUED)

A separate account is maintained for funding current and future indexing supplements. This Inflation Adjustment Account (IAA) is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the IAA to the Basic Account.

There was no excess interest transfer to the IAA for the years ended August 31, 2002 and 2003. Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid, approximately $337 million of assets for 2003, ($281 million for 2002). The excess interest rate of return is determined by taking the difference between the actual five-year average market rate of return and the rate of return used by the actuary (7.4%) in valuing the plan's liabilities. The calculated excess interest rate of return for 2003 was -1.2% (2002: - 2.1%). The cumulative negative returns (-3.3%) will be carried forward and offset against future excess returns.

7. OBLIGATION FOR PENSION BENEFITS FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry age method.

7. OBLIGATION FOR PENSION BENEFITS FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

The most recent full actuarial valuation for funding purposes was prepared as at August 31, 2000. This valuation disclosed a surplus, for basic account pension benefits of $120 million (1997 - $57 million), assuming future contributions at the contribution rates in effect at the valuation date. The next full valuation will be as at August 31, 2003, with results available for the August 31, 2004 financial statements.

The following table shows a key indicator of the financial health of a pension plan, the Basic Account surplus or unfunded actuarial liability (UAL) as a percentage of payroll, for the three most recent actuarial valuations. (Values shown in the table assume future contributions at the rates in place at the time, rather than the actuary's calculated rates.)

Actuarial Valuation Date	Actuarial Value of Basic Account Assets (w)	Basic Account Actuarial Liability (x)	Basic Account Surplus (UAL) (y)	Covered Payroll (z)	Surplus (UAL) as a Percentage of Payroll (y/z)
	($ Millions)				
1994	730	(758)	(28)	260	(11)%
1997	1,000	(943)	57	304	19%
2000	1,350	(1,230)	120	377	32%

Based on the results of the August 31, 2000 actuarial valuation, the partners entered into an agreement directing the College Pension Board of Trustees to amend the pension plan rules. The Partner's Direction to Board of Trustees Agreement effective April 12, 2001 outlined benefit improvements for active and retired members, including:

- Benefit formula improvement 1.7%/2.0% for active members effective January 1, 2002;
- Contribution rate increase for both plan members and employers effective January 1, 2002, offset by an equivalent reduction in contribution rates for a period of five years;
- Allocation of $5 million to improve benefits for retired plan members, $2.6 million of which was distributed to retired members in November 2001 through a one-time lump sum payment, and $2.4 million of which was transferred from the Basic Account to the Inflation Adjustment Account in 2002.

7. OBLIGATION FOR PENSION BENEFITS FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

As a result of the above benefit improvements, the adjusted surplus as at August 31, 2000 was estimated to be $87 million.

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing, on a net present value basis, is transferred from the Inflation Adjustment Account to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the plan rules, nor is there any legislative or plan provision to fund the Inflation Adjustment Account to any minimum level of future potential indexing.

The College Pension Board of Trustees monitors the performance of the Inflation Adjustment Account and, at least annually, reviews the projected impact on the account of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefit costs. This sensitivity analysis assists the board to identify, some years in advance of its possible occurrence, the point at which the IAA assets may cease to grow and the point at which full indexing benefits may not be able to be granted. As long as there are contributions to the Inflation Adjustment Account, there will be some measure of indexing protection for retired members.

8. OBLIGATION FOR PENSION BENEFITS FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years and its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the plan as described in Note 7a. As part of the actuarial valuation the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included as they are for the valuation for funding purposes in Note 7a.

8. OBLIGATION FOR PENSION BENEFITS FOR ACCOUNTING PURPOSES (CONTINUED)

The Basic Account is the account from which the defined basic benefits of the plan are paid and from which any indexing that has been granted to retired members, is also paid. Future indexing benefits are not guaranteed within the plan provisions and are granted to retired members only to the extent that sufficient money is available from the Inflation Adjustment Account to fund those benefits. As indexing is granted, the Basic Account receives from the Inflation Adjustment Account the necessary net present value funding for the granted indexing. Therefore accrued basic pension benefits, for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not, as yet unknown, future indexing.

The latest full valuation was made as at August 31, 2000 by Eckler Partners Ltd. Net actuarial assets in the Basic Account as at that date were $985 million (1997 - $669 million). Liabilities for accrued basic pension benefits were $723 million (1997 - $540 million). As a result, on an accrued benefits basis, there was a Basic Account surplus of $262 million (1997 - $129 million). The next full actuarial valuation will be as at August 31, 2003, with results available for the August 31, 2004 financial statements.

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method pro-rated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, it is required that extrapolations between valuations be calculated and one has been done to August 31, 2003, using the 2000 long-term assumptions and adjusting for the 2002 benefit improvements. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- annual investment return 7.4%
- annual salary escalation rate 4.9%

On that basis, the extrapolated surplus to August 31, 2003 is $221 million.

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc., may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the Inflation Adjustment Account, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

9. INVESTMENT AND ADMINISTRATION COSTS

	2003	2002
	($ Thousands)	
Investment Management	$1,893	$1,807
Benefit Administration	1,384	1,244
Board Remuneration and Expenses	155	149
Other Professional Services	125	107
	$3,557	$3,307

The bcIMC and the Pension Corporation are related parties to the plan through the composition of their boards.

Costs for investment management services charged by bcIMC include costs for internal and external investment management fees.

Benefit administration costs charged by the Pension Corporation are pro-rated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan. Included in the accounts payable balance is $73 thousand due to the Pension Corporation for those costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Other professional services include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act* (Canada) limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through the account. The availability, type and level of this retiree group benefit coverage is contingent upon the availability of funds within the Supplemental Benefits Account to fund such benefits.

11. COMMITMENTS

The plan participates in the Private Placements and International Equity Pools managed by bcIMC. As at August 31, 2003, the College Pension Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $35.1 million (2002 - $29.6 million).

12. FINANCIAL INSTRUMENTS

The plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable, and accrued expenses. The fair values of these financial instruments approximate their carrying values.

Fair values of investments are exposed to credit risk and price risk. Price risk is comprised of currency risk, interest rate risk, and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Interest rate risk
The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to long-term market interest rates as well as expectations for salary escalation.

Foreign currency risk
Foreign currency exposure arises from the plan's holdings of foreign-currency denominated investments and related derivative contracts. A portion of the currency exposure is hedged by foreign currency forwards. Foreign currency forwards are contractual obligations either to buy or sell a specified amount of foreign currencies at predetermined future dates and exchange rates.

Market Risk
Long-term real rate of return on investments is the key assumption in calculating the actuarial liabilities of the plan. In order to earn the best possible return at an acceptable level of risk, the board approves an asset mix policy. Investment risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed income instruments.

Credit Risk
The plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher.

This is a publication of the College Pension Board of Trustees.
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